

City of Cincinnati



Date: January 29, 2004

FOR YOUR INFORMATION

To: Mayor and Members of City Council

From: Valerie A. Lemmie, City Manager

A handwritten signature in black ink, appearing to read "Timothy H. Krings", is written over the "From:" line.

Copies to: David J. Krings, County Administrator

Subject: **CONVENTION CENTER EXPANSION: PROGRESS REPORT #9**

This periodic report is the latest progress report on the Convention Center expansion and renovation project. This report is forwarded to Mr. Krings in order to keep the County informed of the project's progress. In addition, members of the Convention Facilities Authority also receive the report along with other interested stakeholders.

1. Convention Center Expansion Documents

The City, County and Convention Facilities Authority have approved a set of documents to implement the project and issue the bonds. The documents are as follows:

- ◆ Cooperative Agreement –The Cooperative Agreement is a more detailed definition of the Memorandum of Understanding initially adopted by the City and the County in September 2002 and also adopted by the CFA. The Cooperative Agreement was approved by the City and County on January 14, 2004, and by the CFA on January 16, 2004.
- ◆ Trust Agreement. This was adopted by the CFA on January 16, 2004. This agreement defines all the requirements necessary to assure the bondholders that all actions will occur to bondholders' satisfaction. The contribution commitments of the City and the County are also cited here in the Trust agreement, which are authorized by the Cooperative Agreement, City ordinance and County resolution.
- ◆ Bond Purchase Agreement. This agreement was adopted by the CFA on January 16, 2004. This agreement will provide for the \$10 million loan to be made by the Equity Fund. The Equity Fund agreed to a loan, which is amortized only if there is available cash flow after paying the bonds. If the project revenues exceed projected amounts or expenses are less than projected, the CFA will borrow less than \$10 million from the Cincinnati Equity Fund.

- ◆ Project Service Agreement. The Project Service Agreement is an agreement which was approved by the City on January 14, 2004 and the CFA on January 16, 2004. It is the agreement, consistent with the MOU/Cooperative Agreement which provides for the City to do the design and construction management of the Convention Center Project consistent with the plans, specifications, and goals as originally established and approved.
- ◆ Ground and Facilities Lease. The City will lease the existing Convention Center and land to the CFA. This agreement was adopted by the City on January 14, 2004 and the CFA on January 16, 2004. Under State Law it is necessary for the CFA to have an interest in the Convention facility for it to issue bonds. This lease achieves that objective and also provides for the mechanism for the CFA to pay the City back the approximately \$15 million the City borrowed to pay for acquisition of the WCPO property and the design of the project. This lease is consistent with and implements the terms of the MOU/Cooperative Agreement.
- ◆ Facilities Lease. This sublease provides that the CFA leases the existing and the new facility back to the City for the purposes of operating and maintaining the center. This agreement was adopted by the City on January 14, 2004 and the CFA on January 16, 2004. This lease is consistent with and implements the terms of the MOU/Cooperative Agreement. It is through this lease that the City will provide its "guarantee" to pay the second lien bonds. It will be done through a varying lease payment to the CFA equal to any shortfall on the revenues to retire the Second Lien Bonds.
- ◆ Naming Rights Agreement. The Naming Rights agreements are between the City and Cinergy. It sets out the requirements for the naming rights and responsibilities. The agreements were approved by the City on January 14, 2004. The electricity agreement related to MSD was also approved by the County on January 14, 2004.

2. Project Financing Plan Status

- A. Quarterly, the City will attach a Project Financing Plan Status report to update the project's revenues and expenditures. Attached is the Project Financing Plan Status report as of September 30, 2003. The hotel/motel tax collections are lower than initially projected because of the impact of the war in Iraq on travel. If current revenue trends continue, the City and the County hotel/motel tax revenues will be lower than projected by approximately five hundred thousand dollars this year. These lower tax revenues have been calculated in the structure of the debt issuance.

- B. As part of the City/County/CFA MOU, the City agreed to guarantee payment of the subordinated bonds. When collections are less than anticipated, the result is the potential for the City to be required to make additional payments from City sources to retire the bonds. In addition, if there are insufficient funds to complete the Center, the CFA will need to borrow additional amounts as part of the subordinate bonds. This action could also result in invoking the City guarantee with the City being required to make additional payments from City sources to retire the CFA subordinate bonds.
- C. City staff is now continuing to work with bond counsel, underwriters counsel and the financial advisor to complete the steps needed for the CFA to issue the senior and subordinate bonds. The bond sale is now scheduled for February 10, 2004.

3. Project Management

- A. The Cinergy Chilled water agreement was approved by City Council on December 17, 2003 and executed. Cinergy is proceeding to install chilled water lines within the Convention Center.
- B. Bidding out the project has begun. Bid package A, B and C were issued for bidding on November 4, December 2, and December 23, 2003 respectively. Bid Package D Bid is scheduled for completion and advertisement for bidding on February 10, 2004.
- C. Bids were received for the purchase-only procurement of new hot water boilers on November 20, 2003. The bid amount of \$113,975 was \$14,489 below the budget. The contract has been executed and Notice To Proceed (NTP) issued on January 9, 2004.
- D. Construction documents were completed for advertisement of Bid Package A on November 4, with bids opened on December 11, 2003. Two of the three trade contracts have been executed and NTP issued on January 9, 2004. The General Conditions Trade Contract bid amount of \$3,169,000 was \$615,939 below the budget of \$3,784,939. The Sitework Trade Contract bid amount of \$1,171,000 was \$478,578 below the budget of \$1,649,578. The budget and the bid amounts both include a 5% contingency for future changes during construction. The demolition trade contract is being rebid and was advertised on January 13, 2004, with bids due February 3, 2004. Dependent upon the results of the rebid, no impact to the project schedule is currently anticipated.
- E. Construction documents were completed for advertisement of Bid Package B on December 2, 2003 with bid opening on January 15, 2004. The combined Bid Package B bids, based upon the unofficial apparent low bidders, were below budget by \$1,445,688. The City is currently in the process of awarding these three contracts.

- F. The first of three bid packages for FF&E, Bid Package 1 was advertised for bids on January 13, 2004 with bids due February 12, 2004. This bid package consists mainly of new chairs and chair dollies, table skirts, turnstiles and a rack storage system.
- G. OCIP general liability, excess liability and workers' compensation policies were bound by Marsh before the end of 2003. The builders risk policy is in the process of being placed through the City's risk manger. OCIP expenses are within the budget established for the project insurance.

4. Convention Facility Authority

The CFA held their last meeting on January 16, 2004. The CFA passed all the documents mentioned above unanimously and also authorized the CFA Chairperson to sign the documents. The CFA will be meeting again in late February or early March for their semiannual organizational meeting.

5. Corporate Contributions

The project will be receiving \$10 million in corporate contributions over the five-year life of the design/construction period (2002-2006). Companies are now paying their second installments. At this time, cash contributions of \$3.21 million have been received from 13 companies. We have also received signed contracts for a total of \$8.925 million.

6. Commitment from the State

The local stakeholders are developing a strategy to obtain State Capital Improvement Funds in the 2004 State Capital Budget. There is no set state allocation because of uncertainty of Ohio finances. Achieving the desired \$15 million remains a difficult challenge.

7. Equity Fund Loan

The CFA has approved the Bond Purchase agreement for the Equity Fund commitment of \$10 million in bonds. See #1 above for more detail.

8. Public Information

- A. Information on the completed Design Development was distributed to all project stakeholders and GCCVB customers. This information can be accessed through the following website: [http://www.cincinnati-oh.gov/entsrv/pages/-4796-/](http://www.cincinnati-oh.gov/entsrv/pages/-4796/)

- B. The public information team assisted in publicizing ongoing SBE outreach programs.

9. WCPO Relocation

Relocation of WCPO TV begins in May of next year with demolition of the building scheduled in June 2004. WCPO's new building at their future location remains on schedule at this time.

10. Naming Rights

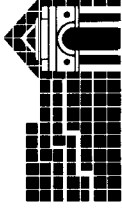
The City has reached an agreement for naming rights. The deal calls for \$9 million contribution. In exchange for naming rights and energy agreements with the City, water works, and sewers. See #1 above for more detail.

11. SBE Commitment

- A. SBE outreach meetings were held on December 10, 2003 and January 21, 2004. Efforts remain focused on facilitating SBE participation in construction bids.
- B. The project team has continued to track SBE participation. During the month of December 2003 the percentage participation of the project was 38.1%. The cumulative total as of December 31st is 12.8% for the architect, program manager and construction manager. This amount will continue to increase during the construction period. The first construction contract was awarded to an SBE/MBE for \$3,169,000. Construction contracts awarded to date meet or exceed the project goal of 30% SBE participation.

Convention Center Expansion Financing Plan - Status

As of September 30, 2003



Cost	Original Total	Expenditures as of 9/30/03	Comments
Estimated project cost	\$145.0 million	\$15.0 million	
Estimated project contingency (unfunded)	\$15.0 million	\$0.0	
Estimated total cost	\$160.0 million	\$15.0 million	
Construction Period Funding	Original Total	Funds as of 9/30/03	Comments
Financing Authority Senior & Subordinate Debt (30 year)	\$110.0-115.0 million	\$15.0 million	These are bond anticipation notes issued by the City. CFA to pay back the City.
Corporate Investment	\$10.0 million	\$2.88 million	
Equity Fund Investment	\$10.0 million	\$0.0 million	
Naming Rights	\$12.0 million	\$0.0	
Hamilton County Initial Contribution	\$1.75 million	\$1.75 million	
	\$143.75-148.75 million	\$19.63 million	
On-going Revenue Sources	12/1/2002 - 12/31/2003	Revenues as of 9/30/03	Comments
New County Hotel/Motel Tax - 3.5%	\$5.0 million	\$3,861,694	
New City Hotel/Motel Tax - 1.5%	\$1.2 million	\$835,345	
New City Hotel/Motel Tax - 1.0%	\$0.73 million	\$555,897	
City of Cincinnati Additional Contribution	\$1.0 million	\$0	
Hamilton County Annual Contribution (\$0.25 million beginning in 2005)			